

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02

OMB-01 SWF-02 AF-10 ARA-16 EA-11 NEA-10 OIC-04 DRC-01

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R 021715Z MAY 74

FM USMISSION GENEVA

TO SECSTATE WASHDC 5531

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

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PASS STR AND TREASURY

E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: MANAGEMENT OF GATT AND GATT-IMF RELATIONS

REF: STATE 89320

SUMMARY: GATT DIRECTOR-GENERAL LONG HELD MEETING OF KEY DEVELOPED COUNTRY DELEGATIONS MAY 2 TO DISCUSS MANAGEMENT OF GATT AND GATT-IMF RELATIONS. LONG SET FORTH CONCEPT OF STEERING GROUP AS WAY OF DEALING WITH GENERAL MANAGEMENT PROBLEM AND PROBLEM OF RELATIONS WITH IMF. U.S. AND OTHERS SUPPORTED CONCEPT, BUT OTHERS EMPHASIZED DOUBTS RE FEASIBILITY. SEVERAL DELEGATIONS RAISED QUESTIONS RE U.S. PROPOSAL IN IMF FOR AMENDMENT OF IMF ARTICLE 8, INDICATING CONCERN THAT TRADE INTERESTS WILL NOT BE ADEQUATELY REPRESENTED. FURTHER INFORMAL MEETING ANTICIPATED

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IN EARLY JUNE. END SUMMARY.

1. MEETING WAS ATTENDED BY REPRESENTATIVES OF U.S., EC AND MEMBER COUNTRIES, JAPAN, AUSTRALIA, CANADA, SWEDEN AND SWITZERLAND.

2. LONG SAID THERE WERE TWO ASPECTS OF PROBLEM HE WISHED TO DISCUSS: (A) GENERAL GATT MANAGEMENT PROBLEM AND (B) HARMONIZATION OF POLICIES AND COORDINATION OF ACTION IN TRADE AND MONETARY MATTERS, NOTABLY RELATIONSHIP BETWEEN GATT AND IMF. AFTER EXPLAINING BASIS OF NEED FOR MORE ADEQUATE MANAGEMENT GROUP, HE CITED REY GROUP REPORT OF 1972 (PARA. 329) ON HIGH-LEVEL STEERING GROUP WHICH COULD REPRESENT CP'S IN CONTACTS WITH IMF INTER ALIA.

3. AT LONG'S REQUEST PATTERSON DESCRIBED DEVELOPMENTS IN C-20, NOTING CURRENT (U.S.) PROPOSAL THAT TRADE MEASURES SHOULD NOT BE USED TO MEET BALANCE OF PAYMENTS PROBLEMS WITHOUT FUND APPROVAL. HE REMARKED THAT UNDER THIS PROPOSAL FUND WOULD INFORM GATT BUT CONSULTATION WOULD BE HELD PERIODICALLY WITH FUND, NOT GATT, TO ENSURE EARLY REMOVAL. HE THOUGHT ALL IN C-20 AGREED CONCERNS OF TRADE AUTHORITIES MUST BE CONSIDERED AND IN CLOSE COORDINATION WITH TRADE AUTHORITY BUT QUESTION IS HOW?

4. U.S. (MILLER) SAID WE AGREED WITH MOST OF WHAT LONG HAD SAID; WE SHARED HIS VIEW OF PROBLEM, THOUGH WE THOUGHT TRADE-MONETARY COORDINATION SHOULD BE REGARDED AS SIMPLY ONE EXAMPLE OF MATTER WHERE IMPROVED MANAGEMENT GROUP COULD BE USEFUL. DRAWING ON REFTEL, MILLER EXPLAINED BASIS OF USEFULNESS OF STEERING GROUP, NOTED THAT THERE MIGHT BE PROBLEMS OF ESTABLISHING GROUP ON LIMITED BASIS, BUT HOPED THESE COULD BE OVERCOME. MILLER EMPHASIZED THAT TRADE-MONETARY COORDINATION IS ONLY ONE ASPECT OF OVERALL PROBLEM

AND EXPLAINED ALONG LINES PARA. 2 REFTEL THAT WE DO NOT SEE OUR C-20 PROPOSAL AS DEROGATING FROM GATT. QUESTIONS OF CONCERN TO GATT MEMBERS REGARDING IMF RELATIONSHIP COULD BE ADEQUATELY CONSIDERED IN INFORMAL GROUP OF 7 AND 7 FOR TIME BEING, BUT WE HOPE NEW HIGH-LEVEL MANAGEMENT BODY WILL EVOLVE.

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5. SWITZERLAND (DUNKEL) AGREED GENERALLY WITH DIRECTOR-GENERAL AND U.S. THAT PROBLEMS LONG HAD POSED ARE REALLY ONE PROBLEM AND THAT WE SHOULD FIND BEST INSTITUTIONAL SOLUTION. IN THIS CONNECTION, DUNKEL REMARKED THAT AS CHAIRMAN OF GATT BALANCE OF PAYMENTS COMMITTEE, HE HAS LONG BECOME CONVINCED OF NEED TO MODERNIZE GATT CONSIDERATION OF RELATIONSHIP BETWEEN MONETARY AND TRADE PROBLEMS. HOWEVER HE DID NOT TAKE POSITION ON STEERING GROUP AS ANSWER. DUNKEL REMARKED THAT RECENT PROPOSALS IN IMF

HAVE INCREASED BASIS FOR CONCERN.

6. CANADA (BARTON) THOUGHT CANADIAN GOVERNMENT WOULD GO ALONG WITH 95 PER CENT OF WHAT LONG AND MILLER HAD SAID, SPECIFICALLY WITH ANALYSIS OF ILLNESS AND PRESCRIPTION. DIFFICULTY, HOWEVER, IS TO GET THE PATIENT TO TAKE THE MEDICINE; RESTRICTED GROUP WOULD BE A PROBLEM BOTH TO INITIATE AND TO OPERATE SINCE OTHERS WOULD OBJECT TO EXCLUSION AND TO CONCLUSIONS IN WHICH THEY HAD NOT PARTICIPATED. HE WONDERED IF INFORMAL GROUP MIGHT NOT WORK BETTER.

7. AUSTRALIA (CARKERY) SAID THIS IS AN OLD PROBLEM; HE AGREED WITH BARTON, PARTICULARLY RE DIFFICULTIES ABOUT RESTRICTED GROUP. HOWEVER, HE WAS READY TO GIVE MATTER FURTHER CONSIDERATION.

8. JAPAN (MIZOGUCHI) CONFINED HIS REMARKS ENTIRELY TO QUESTION OF GATT-FUND RELATIONSHIP, SAYING TOKYO CONSIDERS THAT WE SHOULD BE VERY CAREFUL IN MAKING ANY CHANGE; THIS HE CONSTRUED TO MEAN AMONG OTHER THINGS THAT TRADE MATTERS SHOULD NOT BE MOVED OVER TO IMF, AND REMINDED GROUP THAT WHEN TRADE MEASURES CONNECTED WITH ENERGY CRISES DISCUSSED IN ENERGY COORDINATING GROUP THIS MARCH IN BRUSSELS, JAPANESE HAD STRESSED IMPORTANCE OF CONSIDERING PROBLEM IN GATT AS WELL AS IN MTN.

9. EC AND SWEDEN HAD NO COMMENT.

10. LONG, IN SUMMING UP, MADE CLEAR THAT HE AGREED WITH U.S. THAT FUND RELATIONSHIP IS ONLY ONE ASPECT OF MANAGEMENT PROBLEM AND THAT ANY STEERING GROUP SHOULD BE MUCH BROADER. HE ALSO AGREED WITH CANADA AND AUSTRALIA THAT RESTRICTING GROUP PRESENTS SERIOUS PROBLEM. TO BEGIN WITH, NAME OTHER THAN STEERING GROUP MIGHT BE CONSIDERED. LONG PROPOSED THAT GROUP MEET TO DISCUSS PROBLEM AGAIN INFORMALLY IN EARLY JUNE AND IT WAS AGREED THAT MEETING LIMITED OFFICIAL USE

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WOULD BE HELD IN CONNECTION WITH MEETING OF TNC IF SUCH MEETING IS HELD IN EARLY JUNE OR OTHERWISE MORNING OF JUNE 6. (LUYTEN REMINDED GROUP THAT EC HAS NOT AGREED TO PROPOSED JUNE MEETING OF TNC.) DLAE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RELATIONS WITH INTERNATIONAL ORGS, MEETING PROCEEDINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974GENEVA02780
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740105-1015
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740580/aaaacubi.tel
Line Count: 158
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 89320
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2002 by boyleja>; APPROVED <11 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MANAGEMENT OF GATT AND GATT-IMF RELATIONS
TAGS: ETRD, GATT, IMF
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005